

BENTON COMMUNITY SCHOOL DISTRICT  
VAN HORNE, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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# BENTON COMMUNITY SCHOOL DISTRICT

## OFFICIALS

| <u>Name</u>                      | <u>Title</u>       | <u>Term Expires</u>     |
|----------------------------------|--------------------|-------------------------|
| <u>Board of Education</u>        |                    |                         |
| (Before September 2005 Election) |                    |                         |
| George Martin                    | President          | 2007                    |
| Brenda Schanbacher               | Vice President     | 2007                    |
| Gary Kaiser                      | Board Member       | 2005                    |
| Terry Harrington                 | Board Member       | 2006                    |
| Chris Christensen                | Board Member       | 2006                    |
| Brian Strellner                  | Board Member       | 2005                    |
| Dan Voss                         | Board Member       | 2007                    |
| <u>Board of Education</u>        |                    |                         |
| (After September 2005 Election)  |                    |                         |
| George Martin                    | President          | 2007                    |
| Brenda Schanbacher               | Vice President     | 2007                    |
| Robyn Allen                      | Board Member       | 2008                    |
| Terry Harrington                 | Board Member       | 2006                    |
| Chris Christensen                | Board Member       | 2006                    |
| Brian Strellner                  | Board Member       | 2008                    |
| Dan Voss                         | Board Member       | 2007                    |
| <u>School Officials</u>          |                    |                         |
| Gary Zittergruen                 | Superintendent     | 2006                    |
| Doug Embray                      | District Secretary | (appointed 6-1-06) 2006 |
| Barb Barr                        | District Treasurer | 2006                    |
| Brian Gruhn                      | Attorney           | Indefinite              |

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Benton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2006 on our consideration of Benton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 46 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
September 28, 2006

# MANAGEMENT'S DISCUSSION AND ANALYSIS 2006

This section of the Benton Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2006. Our analysis will focus on the District's financial performance as a whole for the fiscal year 2005-2006.

This is the fourth year that all District financial activities are reported on a full accrual basis, and comparisons with prior years will be made when appropriate. Efforts have been made to provide comparison data from the prior year when such data is required. In subsequent years, with additional data, five-year trends will be provided for District financial information.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

## Fiscal 2006 Financial Highlights

- ◆ General Fund revenue increased from \$11,588,946 in fiscal 2005 to \$12,390,470 in fiscal 2006 while General Fund expenditures increased from \$11,756,969 in fiscal 2005 to \$12,384,078 in fiscal 2006. This resulted in an overall change in the District's General Fund balance from \$2,534,992 in fiscal 2005 to \$2,541,384 in fiscal 2006, a moderate increase from the prior fiscal year.
- ◆ The increase in General Fund revenues was attributable to an increase in local property tax collections as well as state and federal program revenue in fiscal 2006. In addition 2006 was the fourth year of the District Instructional Support Levy, funded by a mixture of Income-surtax, local property tax and State Aid. The levy is scheduled to provide approximately \$451,750 dollars for District identified purchases. The increase in expenditures was due primarily to an increase in personnel costs due to negotiated salary and benefit agreements and increased accounts payable expenditures. The District also increased employees in Fiscal 2006 compared to fiscal 2005.
- ◆ The District began collecting one-cent sales tax revenue from Benton, Iowa and Tama Counties during the 2005-2006 fiscal year. The revenue from this tax will be used to reduce District long-term debt.
- ◆ Higher interest rates during the fiscal year resulted in a small increase in General Fund interest earnings on investments. In fiscal 2005 the District earned \$29,022 on investments. In fiscal year 2006 the District earned \$36,661 on investments, a 26 percent increase.
- ◆ The District completed several Physical Plant and Equipment activities related to building and grounds projects during the 2005-2006 fiscal year.

## Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services, latchkey and preschool.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

## District Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- ◆ Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities and student enrollment trends.

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ **Governmental funds:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ **Business-type funds:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.

## Fund Financial Statements

The fund financial statements, included with this report, provide more detailed information about the District's funds, focusing on its most significant or major funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Funds do not focus on the District as a whole.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

## **Benton Community School District has three types of funds:**

- ◆ **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets, which can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - ◆ The District's governmental funds include the General Fund; Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Fund.
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - ◆ The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the school nutrition program and preschool program.
- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others.
  - ◆ **Agency Fund:** These are either funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts, or certain revenue collected from District employee purchases of pop and related expenditures.

The District is responsible for ensuring that those to whom the assets belong use only for their intended purposes and the assets reported in the fiduciary funds. The District excludes these activities from District-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

**Net assets:** Figure A-1 provides a summary of the District's net assets for fiscal years ended June 30, 2005 and June 30, 2006.

**Figure A-1 Statement of Net Assets**

|  | Governmental<br>Activities<br>2005 | Business-<br>type Activity<br>2005 | School<br>District<br>2005 | Government<br>Activities<br>2006 | Business<br>Activity<br>2006 | School<br>District<br>2006 | Change          |
|--|------------------------------------|------------------------------------|----------------------------|----------------------------------|------------------------------|----------------------------|-----------------|
| Current /other assets                      | 10,030,775                         | 82,811                             | 10,113,586                 | 10,291,580                       | 108,405                      | 10,399,985                 | 286,399         |
| Capital Assets                             | 8,053,108                          | 37,901                             | 8,091,009                  | 8,384,040                        | 49,104                       | 8,433,144                  | 342,135         |
| <b>Total Assets</b>                        | <b>18,083,883</b>                  | <b>120,712</b>                     | <b>18,204,595</b>          | <b>18,675,620</b>                | <b>157,509</b>               | <b>18,833,129</b>          | <b>628,534</b>  |
| Long-term obligations                      | 3,445,000                          | 0                                  | 3,445,000                  | 3,320,000                        | 0                            | 3,320,000                  | -125,000        |
| Other liabilities                          | 5,328,392                          | 11,092                             | 5,339,484                  | 5,160,090                        | 13,077                       | 5,173,167                  | -166,317        |
| <b>Total Liabilities</b>                   | <b>8,773,392</b>                   | <b>11,092</b>                      | <b>8,784,484</b>           | <b>8,480,090</b>                 | <b>13,077</b>                | <b>8,493,167</b>           | <b>-291,317</b> |
| Net Assets:                                |                                    |                                    |                            |                                  |                              |                            |                 |
| Invested in capital<br>Assets, net of debt | 4,608,108                          | 37,901                             | 4,646,009                  | 5,064,040                        | 49,104                       | 5,113,144                  | 467,135         |
| Restricted                                 | 2,076,304                          | 0                                  | 2,076,304                  | 2,479,139                        | 0                            | 2,479,139                  | 402,835         |
| Unrestricted                               | 2,626,079                          | 71,719                             | 2,697,798                  | 2,652,351                        | 95,328                       | 2,747,679                  | -150,110        |
| <b>Total Net Assets</b>                    | <b>9,310,491</b>                   | <b>109,620</b>                     | <b>9,420,111</b>           | <b>10,195,530</b>                | <b>144,432</b>               | <b>10,339,962</b>          | <b>919,851</b>  |

**Changes in net assets:** Figure A-2 shows the changes in net assets for the years ending June 30, 2005 and June 30, 2006.

**Figure A-2 Changes in Net Assets**

|  | Government<br>Activities<br>2005 | Business<br>Activities<br>2005 | School<br>District<br>2005 | Government<br>Activities<br>2006 | Business<br>Activities<br>2006 | School<br>District<br>2006 | Change         |
|--|----------------------------------|--------------------------------|----------------------------|----------------------------------|--------------------------------|----------------------------|----------------|
| <b>Revenues:</b>                           |                                  |                                |                            |                                  |                                |                            |                |
| <b>Program Revenue:</b>                    |                                  |                                |                            |                                  |                                |                            |                |
| Charge for service / sales                 | 1,055,237                        | 516,690                        | 1,571,927                  | 1,393,105                        | 559,342                        | 1,952,447                  | 380,520        |
| Operating grants,<br>restricted interest   | 1,106,928                        | 177,220                        | 1,284,148                  | 1,103,156                        | 185,974                        | 1,289,130                  | 4,982          |
| Capital grants, and<br>restricted interest | 0                                | 0                              | 0                          | 0                                | 0                              | 0                          | 0              |
| <b>General Revenues:</b>                   |                                  |                                |                            |                                  |                                |                            |                |
| Property tax                               | 5,703,701                        | 0                              | 5,703,701                  | 5,782,945                        | 0                              | 5,782,945                  | 79,244         |
| Unrestricted state grants                  | 5,704,919                        | 0                              | 5,704,919                  | 6,171,464                        | 0                              | 6,171,464                  | 466,545        |
| Unrestricted investments                   | 40,722                           | 629                            | 41,351                     | 51,517                           | 784                            | 52,301                     | 10,950         |
| Other                                      | 4,580                            | 0                              | 4,580                      | 12,314                           | 0                              | 12,314                     | 7,734          |
| <b>Total revenues</b>                      | <b>13,616,087</b>                | <b>694,539</b>                 | <b>14,310,626</b>          | <b>14,514,501</b>                | <b>746,100</b>                 | <b>15,260,601</b>          | <b>949,975</b> |
| <b>Program Expenses:</b>                   |                                  |                                |                            |                                  |                                |                            |                |
| Governmental activities                    |                                  |                                |                            |                                  |                                |                            |                |
| Instruction                                | 8,197,234                        | 0                              | 8,197,234                  | 8,490,423                        | 0                              | 8,490,423                  | 293,189        |
| Support services                           | 3,685,412                        | 0                              | 3,685,412                  | 4,109,530                        | 0                              | 4,109,530                  | 424,118        |
| Non-instruction Programs                   | 0                                | 685,317                        | 685,317                    | 0                                | 711,288                        | 711,288                    | 25,971         |
| Other expenses                             | 990,536                          | 0                              | 990,536                    | 1,029,509                        | 0                              | 1,029,509                  | 38,973         |
| <b>Total expenses</b>                      | <b>12,873,182</b>                | <b>685,317</b>                 | <b>13,558,499</b>          | <b>13,629,462</b>                | <b>711,288</b>                 | <b>14,340,750</b>          | <b>782,251</b> |
| <b>Change in net assets:</b>               | <b>742,905</b>                   | <b>9,222</b>                   | <b>752,127</b>             | <b>885,039</b>                   | <b>34,812</b>                  | <b>919,851</b>             | <b>167,724</b> |

Property tax and unrestricted state grants account for 78% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$14,514,501 and expenses were \$13,629,462. In fiscal 2006, the District attempted to balance revenues and expenses for most Governmental Funds, excluding the Capital Projects Fund. Particular attention was given to the District General Fund. The following table presents the total and net cost of the District's major governmental activities; instruction, support services, non-instructional programs and other expenses.

### Figure A-3 Total Net Cost of Governmental Activities

Figure A-3 shows the changes in Net costs for the years ending June 30, 2005 and June 30, 2006.

|                               | <b>Cost of<br/>Services</b> | <b>Net Cost of<br/>Services</b> | <b>Cost of<br/>Services</b> | <b>Net Cost of<br/>Services</b> | <b>Change</b> |
|-------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|---------------|
|                               | <b>2005</b>                 | <b>2005</b>                     | <b>2006</b>                 | <b>2006</b>                     |               |
| Instruction                   | 8,197,234                   | 6,630,128                       | 8,490,423                   | 6,538,608                       | -91,520       |
| Support services              | 3,685,412                   | 3,567,640                       | 4,109,530                   | 4,065,857                       | 498,217       |
| Non-instructional<br>programs | 0                           | 0                               | 0                           | 0                               | 0             |
| Other expenses                | 990,536                     | 513,249                         | 1,029,509                   | 528,736                         | 15,487        |
|                               |                             |                                 |                             |                                 |               |
| Total                         | 12,873,182                  | 10,711,017                      | 13,629,462                  | 11,133,201                      | 422,184       |

- ◆ The cost financed by users of District's programs was \$1,393,105.
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$1,103,156.
- ◆ The net cost of governmental activities was financed with \$5,782,945 in property tax, and other taxes \$6,171,464 in state foundation aid and \$51,517 in interest income.

## Business -Type Activities

Revenues for the District's business-type activities were \$746,100 and expenses were \$711,288. The District's business-type activities include the School Nutrition Fund, Latch key and preschool programs. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

During the year ended June 30, 2006, the district increased its meal prices and preschool fees and grants. This increased revenue resulted in additions to the School Nutrition Fund and Preschool Daycare Fund, which the District has obligated for updating computers and software and salaries for preschool personnel.

## **Financial Analysis of the District's Funds**

As previously noted, the Benton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$4,759,258 an increase over last year's ending fund balance of \$4,360,884.

### **Governmental Fund Highlights**

- ◆ The District's General Fund financial position is the product of many factors. The Instructional Support Levy, taxes and grants resulted in a moderate increase in revenues. The increase in revenues was coupled with a larger than usual increase in General Fund expenditures. These conditions resulted in a small increase in the District's carry over fund balance.
- ◆ The General Fund balance moderately increased from \$2,534,992 to \$2,541,384 for the 2005-06 fiscal year. In addition 2005-2006 was the third year for a District Instructional Support Levy, which has helped balance expenditures in the General Fund.
- ◆ The Physical Plant and Equipment Levy (PEEL) Fund balance decreased in 2005-2006. The Fund balance decreased from \$765,333 in fiscal 2005 to \$722,167 in fiscal 2006. The main reason for the Fund balance decrease was the completion of fiscal year projects earlier than expected.
- ◆ The District Capital Projects Account increased to a balance of \$1,266,560 on June 30, 2006. This balance is a combination of One-cent sales tax money collections and retainage related to the Middle/High School building project. The balance is reserved for long-term debt reduction.

### **Proprietary Fund Highlights**

The School Nutrition Fund had net assets of \$127,999 on June 30, 2006. As previously noted, the District increased meal prices resulting in the increase in net assets. The District also revamped its Nutrition accounting system and software in 2006.

### **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year the district amended its budget one time to reflect additional revenues and expenditures associated with Nutrition, Preschool and Construction Project Accounts. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds; budgets for the General Fund and Major Special Revenue Funds are not presented on the budgetary comparison pages.

## Legal Budgetary Highlights

The District's total actual receipts were approximately \$15,230,774; \$1,129,927 more than the total budget receipts amount of 14,100,847 a variance of 8.0 percent. The most significant change resulted in the District receiving additional revenue in the one-cent Sales Tax collections.

Total expenditures were less than budgeted amount due primarily to the District's amount allocated for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year. Despite this budgeting practice, however, the District exceeded the budget in the other expenditures functional area due to the completion of the Middle School / High School construction project.

## Capital Assets and Debt Administration

### Capital Assets

On June 30, 2006, the District had invested \$8,433,144 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) This amount represents a net increase from the last fiscal year. More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$376,729.

Excluding depreciation, the District has over eight million in capital assets. Governmental Funds account for the majority of the districts capital assets with the remainder in the Proprietary, School Nutrition Fund.

**Figure A-4**  
**Capital Assets, Net of Depreciation**

Figure A-4 shows the changes in Capital Assets for the years ending June 30, 2005 and June 30, 2006.

|                   | <b>Governmental</b> | <b>Business-type</b> | <b>School</b>   | <b>Governmental</b> | <b>Business-Type</b> | <b>School</b>   |
|-------------------|---------------------|----------------------|-----------------|---------------------|----------------------|-----------------|
|                   | <b>Activities</b>   | <b>Activities</b>    | <b>District</b> | <b>Activities</b>   | <b>Activities</b>    | <b>District</b> |
|                   | <b>2005</b>         | <b>2005</b>          | <b>2005</b>     | <b>2006</b>         | <b>2006</b>          | <b>2006</b>     |
| Land              | 63,056              | 0                    | 63,056          | 63,056              | 0                    | 63,056          |
| Land Improvements | 83,934              | 0                    | 83,934          | 73,864              | 0                    | 0               |
| Buildings         | 4,008,325           | 0                    | 4,008,325       | 7,393,779           | 0                    | 0               |
| Construction      | 3,182,567           | 0                    | 3,182,567       | 111,622             | 0                    | 0               |
| Furniture/Equip   | 715,226             | 37,901               | 753,127         | 741,719             | 49,104               | 790,823         |
|                   |                     |                      |                 |                     |                      |                 |
| Totals            | 8,053,108           | 37,901               | 8,091,009       | 8,384,040           | 49,104               | 8,433,144       |

## **Long-Term Debt**

On June 30, 2006, the District had \$ 3,320,000 in general obligation and other long-term debt outstanding. This represents a decrease of 125,000 thousand dollars from the 2005 fiscal year. The District issued \$3,280,000 additional long-term debt in the 2004 fiscal year. The funds being used to finance a significant building exterior and roof retrofit project at the Middle / High School building

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- ◆ Although the District has experienced declining enrollment for two of the past three years, the District expects a stable to increasing enrollment in future years due to a new housing development in progress within the District.
- ◆ The District has evaluated the condition of its transportation vehicles and determined that due to rotation schedules, two buses and two vans must be replaced during fiscal 2007 at a cost of \$175,000. To pay for these vehicles the District will use a combination of General Fund and PPEL Fund resources.
- ◆ The District will negotiate a new labor contract in 2007 with its employee groups. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and reserve fund balance.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Doug Embray, Associate Superintendent, Benton Community School District, 304 First Street, PO Box 70, Van Horne, Iowa 52346-0070.

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## Basic Financial Statements

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

|  | Governmental<br>Activities | Business-type<br>Activities | Total        |
|--|----------------------------|-----------------------------|--------------|
| Assets   |                            |                             |              |
| Cash and pooled investments                              | \$ 5,093,302               | \$ 93,205                   | \$ 5,186,507 |
| Receivables:   |                            |                             |              |
| Property tax:  |                            |                             |              |
| Current year   | 79,613                     | -                           | 79,613       |
| Succeeding year  | 4,112,807                  | -                           | 4,112,807    |
| Income surtax  | 395,435                    | -                           | 395,435      |
| Accounts   | 9,043                      | 8,380                       | 17,423       |
| Due from other governments                               | 566,881                    | -                           | 566,881      |
| Interfund balances (note 4)                              | 14,898                     | (14,898)                    | -            |
| Inventories  | 9,667                      | 21,718                      | 31,385       |
| Prepaid expenses   | 9,934                      | -                           | 9,934        |
| Capital assets, net of accumulated depreciation (note 5) | 8,384,040                  | 49,104                      | 8,433,144    |
| Total assets   | 18,675,620                 | 157,509                     | 18,833,129   |
| Liabilities  |                            |                             |              |
| Accounts payable   | 96,241                     | -                           | 96,241       |
| Salaries and benefits payable                            | 927,839                    | 2,958                       | 930,797      |
| Accrued interest payable                                 | 23,203                     | -                           | 23,203       |
| Deferred revenue:  |                            |                             |              |
| Succeeding year property tax                             | 4,112,807                  | -                           | 4,112,807    |
| Other  | -                          | 10,119                      | 10,119       |
| Long-term liabilities (note 6):                          |                            |                             |              |
| Portion due within one year:                             |                            |                             |              |
| Bonds payable  | 135,000                    | -                           | 135,000      |
| Portion due after one year:                              |                            |                             |              |
| Bonds payable  | 3,185,000                  | -                           | 3,185,000    |
| Total liabilities  | 8,480,090                  | 13,077                      | 8,493,167    |

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| Net Assets                                      |                            |                             |                      |
| Invested in capital assets, net of related debt | \$ 5,064,040               | \$ 49,104                   | \$ 5,113,144         |
| Restricted for:                                 |                            |                             |                      |
| Management levy                                 | 3,777                      | -                           | 3,777                |
| Physical plant and equipment levy               | 985,790                    | -                           | 985,790              |
| Other special revenue purposes                  | 207,796                    | -                           | 207,796              |
| Capital projects                                | 1,266,560                  | -                           | 1,266,560            |
| Baseball program                                | 15,216                     | -                           | 15,216               |
| Unrestricted                                    | <u>2,652,351</u>           | <u>95,328</u>               | <u>2,747,679</u>     |
| Total net assets                                | <u>\$ 10,195,530</u>       | <u>\$ 144,432</u>           | <u>\$ 10,339,962</u> |

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

| Functions/Programs                          | Expenses             | Program Revenues     |   |
|---|----------------------|----------------------|---|
|   |                      | Charges for Services | Operating Grants, Contributions and Restricted Interest |
| Governmental Activities:                    |                      |                      |   |
| Instruction:                                |                      |                      |   |
| Regular instruction                         | \$ 5,588,159         | \$ 593,483           | \$ 321,851  |
| Special instruction                         | 1,671,968            | 286,146              | 224,404   |
| Other instruction                           | 1,230,296            | 513,476              | 12,455  |
|   | <u>8,490,423</u>     | <u>1,393,105</u>     | <u>558,710</u>  |
| Support services:                           |                      |                      |   |
| Student services                            | 282,903              | -                    | -   |
| Instructional staff services                | 416,954              | -                    | -   |
| Administration services                     | 1,268,860            | -                    | -   |
| Operation and maintenance of plant services | 1,346,170            | -                    | -   |
| Transportation services                     | 794,643              | -                    | 43,673  |
|   | <u>4,109,530</u>     | <u>-</u>             | <u>43,673</u>   |
| Other expenditures:                         |                      |                      |   |
| Facilities acquisition                      | 138,856              | -                    | -   |
| Long-term debt interest and fiscal charges  | 144,147              | -                    | -   |
| AEA flowthrough                             | 500,773              | -                    | 500,773   |
| Depreciation (unallocated) *                | 245,733              | -                    | -   |
|   | <u>1,029,509</u>     | <u>-</u>             | <u>500,773</u>  |
| Total governmental activities               | <u>13,629,462</u>    | <u>1,393,105</u>     | <u>1,103,156</u>  |
| Business-Type Activities:                   |                      |                      |   |
| Support services:                           |                      |                      |   |
| Administration services                     | 7,264                | -                    | -   |
| Operation and maintenance of plant services | 3,840                | -                    | -   |
|   | <u>11,104</u>        | <u>-</u>             | <u>-</u>  |
| Non-instructional programs:                 |                      |                      |   |
| Food service operations                     | 608,476              | 448,177              | 185,974   |
| Daycare operations                          | 91,708               | 111,165              | -   |
|   | <u>700,184</u>       | <u>559,342</u>       | <u>185,974</u>  |
| Total business-type activities              | <u>711,288</u>       | <u>559,342</u>       | <u>185,974</u>  |
| Total                                       | <u>\$ 14,340,750</u> | <u>\$ 1,952,447</u>  | <u>\$ 1,289,130</u>                                     |

| Net (Expense) Revenue<br>and Changes in Net Assets |                             |                |
|--|-----------------------------|----------------|
| Governmental<br>Activities                         | Business-Type<br>Activities | Total          |
| \$ (4,672,825)                                     | \$ -                        | \$ (4,672,825) |
| (1,161,418)  | -                           | (1,161,418)    |
| (704,365)  | -                           | (704,365)      |
| (6,538,608)  | -                           | (6,538,608)    |
| (282,903)  | -                           | (282,903)      |
| (416,954)  | -                           | (416,954)      |
| (1,268,860)  | -                           | (1,268,860)    |
| (1,346,170)  | -                           | (1,346,170)    |
| (750,970)  | -                           | (750,970)      |
| (4,065,857)  | -                           | (4,065,857)    |
| (138,856)  | -                           | (138,856)      |
| (144,147)  | -                           | (144,147)      |
| -  | -                           | -              |
| (245,733)  | -                           | (245,733)      |
| (528,736)  | -                           | (528,736)      |
| (11,133,201)                                       | -                           | (11,133,201)   |
| -  | (7,264)                     | (7,264)        |
| -  | (3,840)                     | (3,840)        |
| -  | (11,104)                    | (11,104)       |
| -  | 25,675                      | 25,675         |
| -  | 19,457                      | 19,457         |
| -  | 45,132                      | 45,132         |
| -  | 34,028                      | 34,028         |
| (11,133,201)                                       | 34,028                      | (11,099,173)   |

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Functions/Programs

---

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation that is included  
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

| <u>Governmental</u><br><u>Activities</u> | <u>Business-Type</u><br><u>Activities</u> | <u>Total</u>         |
|--|---|----------------------|
| \$ 4,277,751                             | \$ -                                      | \$ 4,277,751         |
| 289,095                                  | -   | 289,095              |
| 426,304                                  | -   | 426,304              |
| 789,795                                  | -   | 789,795              |
| 6,171,464                                | -   | 6,171,464            |
| 51,517                                   | 784                                       | 52,301               |
| 12,314                                   | -   | 12,314               |
| <u>12,018,240</u>                        | <u>784</u>                                | <u>12,019,024</u>    |
| 885,039                                  | 34,812                                    | 919,851              |
| <u>9,310,491</u>                         | <u>109,620</u>                            | <u>9,420,111</u>     |
| <u>\$ 10,195,530</u>                     | <u>\$ 144,432</u>                         | <u>\$ 10,339,962</u> |

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

|                               | General             | Special<br>Revenue<br>Physical<br>Plant and<br>Equipment<br>Levy | Capital<br>Projects | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------|---------------------|--|---------------------|-----------------------------------|--------------------------------|
| Assets                        |                     |  |                     |                                   |                                |
| Cash and pooled investments   | \$ 3,289,671        | \$ 726,708   | \$ 834,851          | \$ 242,072                        | \$ 5,093,302                   |
| Receivables:                  |                     |  |                     |                                   |                                |
| Property tax:                 |                     |  |                     |                                   |                                |
| Current year                  | 70,921              | 4,839  | -                   | 3,853                             | 79,613                         |
| Succeeding year               | 3,669,082           | 242,918  | -                   | 200,807                           | 4,112,807                      |
| Income surtax                 | 131,812             | 263,623  | -                   | -                                 | 395,435                        |
| Interfund receivable (note 4) | 15,097              | -  | -                   | -                                 | 15,097                         |
| Accounts                      | 9,043               | -  | -                   | -                                 | 9,043                          |
| Due from other governments    | 135,172             | -  | 431,709             | -                                 | 566,881                        |
| Inventories                   | 9,667               | -  | -                   | -                                 | 9,667                          |
| Prepaid expenses              | 9,934               | -  | -                   | -                                 | 9,934                          |
| Total assets                  | <u>\$ 7,340,399</u> | <u>\$ 1,238,088</u>  | <u>\$ 1,266,560</u> | <u>\$ 446,732</u>                 | <u>\$ 10,291,779</u>           |

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

|   | General      | Special<br>Revenue<br>Physical<br>Plant and<br>Equipment<br>Levy | Capital<br>Projects | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------|--|---------------------|-----------------------------------|--------------------------------|
| Liabilities and Fund Balances                 |              |  |                     |                                   |                                |
| Liabilities:                                  |              |  |                     |                                   |                                |
| Accounts payable                              | \$ 70,083    | \$ 9,380   | \$ -                | \$ 16,778                         | \$ 96,241                      |
| Salaries and benefits payable                 | 927,839      | -  | -                   | -                                 | 927,839                        |
| Interfund payable (note 4)                    | 199          | -  | -                   | -                                 | 199                            |
| Deferred revenue:                             |              |  |                     |                                   |                                |
| Succeeding year property tax                  | 3,669,082    | 242,918  | -                   | 200,807                           | 4,112,807                      |
| Other   | 131,812      | 263,623  | -                   | -                                 | 395,435                        |
| Total liabilities                             | 4,799,015    | 515,921  | -                   | 217,585                           | 5,532,521                      |
| Fund balance:                                 |              |  |                     |                                   |                                |
| Reserved for:                                 |              |  |                     |                                   |                                |
| Inventories                                   | 9,667        | -  | -                   | -                                 | 9,667                          |
| Prepaid expenses                              | 9,934        | -  | -                   | -                                 | 9,934                          |
| Debt service                                  | -            | -  | -                   | 2,358                             | 2,358                          |
| Baseball program                              | -            | -  | -                   | 15,216                            | 15,216                         |
| Unreserved:                                   |              |  |                     |                                   |                                |
| Reported in nonmajor Special<br>Revenue Funds | -            | -  | -                   | 211,573                           | 211,573                        |
| Undesignated                                  | 2,521,783    | 722,167  | 1,266,560           | -                                 | 4,510,510                      |
| Total fund balances                           | 2,541,384    | 722,167  | 1,266,560           | 229,147                           | 4,759,258                      |
| Total liabilities and fund<br>balances        | \$ 7,340,399 | \$ 1,238,088   | \$ 1,266,560        | \$ 446,732                        | \$ 10,291,779                  |

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2006

|  |                      |
|--|----------------------|
| Total fund balances of governmental funds  | \$ 4,759,258         |
| Amounts reported for governmental activities in the Statement of Net Assets<br>are different because:  |                      |
| Capital assets used in governmental activities are not financial resources<br>and, therefore, are not reported as assets in the governmental funds.                            | 8,384,040            |
| Other long-term assets are not available to pay current period<br>expenditures and, therefore, are deferred in the governmental funds.   | 395,435              |
| Accrued interest payable on long-term liabilities is not due and payable in<br>the current period and, therefore, is not reported as a liability in the<br>governmental funds. | (23,203)             |
| Long-term liabilities, including bonds payable, are not due and payable in<br>current period and, therefore, are not reported as liabilities in the<br>governmental funds.     | <u>(3,320,000)</u>   |
| Net assets of governmental activities  | <u>\$ 10,195,530</u> |
| See notes to financial statements.   |                      |

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

|  | General      | Special<br>Revenue<br>Physical<br>Plant and<br>Equipment<br>Levy | Capital<br>Projects | Nonmajor<br>Governmental<br>Funds | Total        |
|--|--------------|--|---------------------|-----------------------------------|--------------|
| Revenues:  |              |  |                     |                                   |              |
| Local sources:   |              |  |                     |                                   |              |
| Local tax  | \$ 4,185,749 | \$ 553,157   | \$ 789,795          | \$ 220,499                        | \$ 5,749,200 |
| Tuition  | 435,003      | -  | -                   | -                                 | 435,003      |
| Other  | 130,443      | 7,630  | 5,843               | 516,835                           | 660,751      |
| State sources  | 7,222,326    | 256  | -                   | 189                               | 7,222,771    |
| Federal sources  | 416,949      | -  | -                   | -                                 | 416,949      |
| Total revenues   | 12,390,470   | 561,043  | 795,638             | 737,523                           | 14,484,674   |
| Expenditures:  |              |  |                     |                                   |              |
| Current:   |              |  |                     |                                   |              |
| Instruction:   |              |  |                     |                                   |              |
| Regular instruction  | 5,575,087    | -  | -                   | -                                 | 5,575,087    |
| Special instruction  | 1,671,968    | -  | -                   | -                                 | 1,671,968    |
| Other instruction  | 774,021      | -  | -                   | 456,275                           | 1,230,296    |
|  | 8,021,076    | -  | -                   | 456,275                           | 8,477,351    |
| Support services:  |              |  |                     |                                   |              |
| Student services   | 282,904      | -  | -                   | -                                 | 282,904      |
| Instructional staff services                                 | 415,950      | -  | -                   | -                                 | 415,950      |
| Administration services                                      | 1,236,722    | -  | -                   | 28,169                            | 1,264,891    |
| Operation and maintenance<br>of plant services               | 1,141,640    | 79,802   | -                   | 194,883                           | 1,416,325    |
| Transportation services                                      | 785,013      | -  | -                   | -                                 | 785,013      |
|  | 3,862,229    | 79,802   | -                   | 223,052                           | 4,165,083    |
| Other expenditures:  |              |  |                     |                                   |              |
| Facilities acquisition                                       | -            | 524,407  | 148,233             | -                                 | 672,640      |
| Long term debt:  |              |  |                     |                                   |              |
| Principal  | -            | -  | -                   | 125,000                           | 125,000      |
| Interest and fiscal charges                                  | -            | -  | -                   | 145,453                           | 145,453      |
| AEA flowthrough  | 500,773      | -  | -                   | -                                 | 500,773      |
|  | 500,773      | 524,407  | 148,233             | 270,453                           | 1,443,866    |
| Total expenditures   | 12,384,078   | 604,209  | 148,233             | 949,780                           | 14,086,300   |
| Excess (deficiency) of revenues<br>over (under) expenditures | 6,392        | (43,166)   | 647,405             | (212,257)                         | 398,374      |

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

|   | General             | Special<br>Revenue<br>Physical<br>Plant and<br>Equipment<br>Levy | Capital<br>Projects | Nonmajor<br>Governmental<br>Funds | Total               |
|---|---------------------|--|---------------------|-----------------------------------|---------------------|
| Other financing sources (uses):         |                     |  |                     |                                   |                     |
| Interfund transfers in                  | \$ -                | \$ -   | \$ -                | \$ 269,653                        | \$ 269,653          |
| Interfund transfers out                 | -                   | -  | (269,653)           | -                                 | (269,653)           |
| Total other financing sources<br>(uses) | -                   | -  | (269,653)           | 269,653                           | -                   |
| Net change in fund balances             | 6,392               | (43,166)   | 377,752             | 57,396                            | 398,374             |
| Fund balances beginning of year         | 2,534,992           | 765,333  | 888,808             | 171,751                           | 4,360,884           |
| Fund balances end of year               | \$ <u>2,541,384</u> | \$ <u>722,167</u>  | \$ <u>1,266,560</u> | \$ <u>229,147</u>                 | \$ <u>4,759,258</u> |

See notes to financial statements.

## BENTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

|  |    |         |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 398,374 |
|--|----|---------|

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in  
governmental funds as expenditures. However, those costs are reported  
in the Statement of Net Assets and are allocated over their estimated useful  
lives as depreciation expense in the Statement of Activities. The amounts  
of capital outlays and depreciation expense in the year are as follows:

|                                 |    |                  |         |
|---------------------------------|----|------------------|---------|
| Expenditures for capital assets | \$ | 700,271          |         |
| Depreciation expense            |    | <u>(369,339)</u> | 330,932 |

|   |        |
|---|--------|
| Income surtax revenue not received until several months after the District's<br>fiscal year ends is not considered available revenue in the governmental<br>funds and is deferred. It is, however, recorded as revenue in the<br>Statement of Activities. | 29,827 |
|---|--------|

|   |         |
|---|---------|
| Repayment of long-term liabilities is an expenditure in the governmental<br>funds, but it reduces long-term liabilities in the Statement of Net Assets. | 125,000 |
|---|---------|

|   |            |
|---|------------|
| Interest on long-term debt in the Statement of Activities differs from the<br>amount reported in the governmental funds because interest is recorded as<br>an expenditure in the funds when due. In the Statement of Activities,<br>however, interest expense is recognized as the interest accrues, regardless<br>of when it is due. | <u>906</u> |
|---|------------|

|   |    |                       |
|---|----|-----------------------|
| Change in net assets of governmental activities | \$ | <u><u>885,039</u></u> |
|---|----|-----------------------|

See notes to financial statements.

## BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2006

|   | School<br>Nutrition | Nonmajor -<br>Preschool<br>Daycare | Total             |
|---|---------------------|------------------------------------|-------------------|
| <b>Assets</b>                                   |                     |                                    |                   |
| Cash and cash equivalents                       | \$ 67,097           | \$ 26,108                          | \$ 93,205         |
| Interfund receivable (note 4)                   | 199                 | -                                  | 199               |
| Accounts receivable                             | -                   | 8,380                              | 8,380             |
| Inventories                                     | 21,718              | -                                  | 21,718            |
| Capital assets, net of accumulated depreciation | 49,104              | -                                  | 49,104            |
| Total assets                                    | <u>138,118</u>      | <u>34,488</u>                      | <u>172,606</u>    |
| <b>Liabilities</b>                              |                     |                                    |                   |
| Salaries and benefits payable                   | -                   | 2,958                              | 2,958             |
| Interfund payable (note 4)                      | -                   | 15,097                             | 15,097            |
| Deferred revenue                                | 10,119              | -                                  | 10,119            |
| Total liabilities                               | <u>10,119</u>       | <u>18,055</u>                      | <u>28,174</u>     |
| <b>Net Assets</b>                               |                     |                                    |                   |
| Invested in capital assets                      | 49,104              | -                                  | 49,104            |
| Unrestricted                                    | <u>78,895</u>       | <u>16,433</u>                      | <u>95,328</u>     |
| Total net assets                                | <u>\$ 127,999</u>   | <u>\$ 16,433</u>                   | <u>\$ 144,432</u> |

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2006

|   | School<br>Nutrition | Nonmajor -<br>Preschool<br>Daycare | Total             |
|---|---------------------|------------------------------------|-------------------|
| Operating revenues:                         |                     |                                    |                   |
| Local sources:                              |                     |                                    |                   |
| Charges for services                        | \$ 448,177          | \$ 111,165                         | \$ 559,342        |
| Operating expenses:                         |                     |                                    |                   |
| Support services:                           |                     |                                    |                   |
| Administration services                     | 7,264               | -                                  | 7,264             |
| Operation and maintenance of plant services | 3,840               | -                                  | 3,840             |
| Non-instructional programs                  | 608,476             | 91,708                             | 700,184           |
|   | <u>619,580</u>      | <u>91,708</u>                      | <u>711,288</u>    |
| Operating income (loss)                     | <u>(171,403)</u>    | <u>19,457</u>                      | <u>(151,946)</u>  |
| Non-operating revenues:                     |                     |                                    |                   |
| Interest on investments                     | 784                 | -                                  | 784               |
| State sources                               | 8,099               | -                                  | 8,099             |
| Federal sources                             | 177,875             | -                                  | 177,875           |
| Total non-operating revenues                | <u>186,758</u>      | <u>-</u>                           | <u>186,758</u>    |
| Change in net assets                        | 15,355              | 19,457                             | 34,812            |
| Net assets beginning of year                | <u>112,644</u>      | <u>(3,024)</u>                     | <u>109,620</u>    |
| Net assets end of year                      | <u>\$ 127,999</u>   | <u>\$ 16,433</u>                   | <u>\$ 144,432</u> |

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2006

|   | School<br>Nutrition | Nonmajor -<br>Preschool<br>Daycare | Total            |
|---|---------------------|------------------------------------|------------------|
| Cash flows from operating activities:                     |                     |                                    |                  |
| Cash received from sale of lunches and breakfasts         | \$ 437,006          | \$ -                               | \$ 437,006       |
| Cash received from miscellaneous operating activities     | 12,851              | 102,785                            | 115,636          |
| Cash payments to employees for services                   | (291,127)           | (74,779)                           | (365,906)        |
| Cash payments to suppliers for goods or services          | (286,167)           | (1,725)                            | (287,892)        |
| Net cash provided by (used by) operating activities       | <u>(127,437)</u>    | <u>26,281</u>                      | <u>(101,156)</u> |
| Cash flows from non-capital financing activities:         |                     |                                    |                  |
| State grants received                                     | 8,099               | -                                  | 8,099            |
| Federal grants received                                   | 143,693             | -                                  | 143,693          |
| Net cash provided by non-capital financing activities     | <u>151,792</u>      | <u>-</u>                           | <u>151,792</u>   |
| Cash flows from capital and related financing activities: |                     |                                    |                  |
| Acquisition of capital assets                             | <u>(18,593)</u>     | <u>-</u>                           | <u>(18,593)</u>  |
| Cash flows from investing activities:                     |                     |                                    |                  |
| Interest on investments                                   | <u>784</u>          | <u>-</u>                           | <u>784</u>       |
| Net increase in cash and cash equivalents                 | 6,546               | 26,281                             | 32,827           |
| Cash and cash equivalents beginning of year               | <u>60,551</u>       | <u>(173)</u>                       | <u>60,378</u>    |
| Cash and cash equivalents end of year                     | <u>\$ 67,097</u>    | <u>\$ 26,108</u>                   | <u>\$ 93,205</u> |

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2006

|   | School<br>Nutrition | Nonmajor -<br>Preschool<br>Daycare | Total               |
|---|---------------------|------------------------------------|---------------------|
| Reconciliation of operating income (loss) to net cash<br>provided by (used by) operating activities:        |                     |                                    |                     |
| Operating income (loss)   | \$ (171,403)        | \$ 19,457                          | \$ (151,946)        |
| Adjustments to reconcile operating income (loss)<br>to net cash provided by (used by) operating activities: |                     |                                    |                     |
| Depreciation  | 7,390               | -                                  | 7,390               |
| Commodities used  | 34,182              | -                                  | 34,182              |
| (Increase) in interfund receivable  | (199)               | -                                  | (199)               |
| (Increase) in accounts receivable   | -                   | (8,380)                            | (8,380)             |
| Decrease in inventories   | 2,020               | -                                  | 2,020               |
| Increase in salaries and benefits payable   | -                   | 107                                | 107                 |
| Increase (decrease) in interfund payable  | (1,305)             | 15,097                             | 13,792              |
| Increase in deferred revenue  | 1,878               | -                                  | 1,878               |
| Net cash provided by (used by) operating activities   | \$ <u>(127,437)</u> | \$ <u>26,281</u>                   | \$ <u>(101,156)</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$34,182 of federal commodities.

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2006

|                |                    |
|----------------|--------------------|
|                | <u>Agency</u>      |
| Assets:        |                    |
| Cash           | \$ <u>7,826</u>    |
| Liabilities:   |                    |
| Other payables | <u>7,826</u>       |
| Net assets     | \$ <u><u>-</u></u> |

See notes to financial statements.

## BENTON COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2006

#### Note 1. Summary of Significant Accounting Policies

Benton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Van Horne, Atkins, Blairstown, Elberon, Watkins, and Walford, Iowa, and agricultural territory in Benton, Iowa, and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Benton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Benton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton and Iowa County Assessor's Conference Boards.

##### B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue, Physical Plant and Equipment Levy Fund is used to account for the payment of capital and related expenditures for building improvements and certain types of equipment.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2006 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

# BENTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

### Note 1. Summary of Significant Accounting Policies (continued)

#### D. Assets, Liabilities and Fund Equity (continued)

**Inventories** – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Capital Assets** – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class                       | Amount   |
|-----------------------------------|----------|
| Land                              | \$ 5,000 |
| Buildings                         | 5,000    |
| Improvements other than buildings | 5,000    |
| Furniture and equipment:          |          |
| School Nutrition Fund Equipment   | 500      |
| Other furniture and equipment     | 5,000    |

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

| Asset Class                       | Estimated Useful Lives |
|-----------------------------------|------------------------|
| Buildings                         | 45 years               |
| Improvements other than buildings | 20 years               |
| Furniture and equipment           | 5-20 years             |

**Salaries and Benefits Payable** – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Deferred Revenue** – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end. Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue in the Statement of Net Assets for governmental activities consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2006.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the other expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u>     |
|--------------------|----------------------|-------------------|
| Debt Service       | Capital Projects     | \$ <u>269,653</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Interfund Receivables and Payables

At June 30, 2006, the interfund receivables and payables consisted of the following:

| <u>Receivable Fund</u>           | <u>Payable Fund</u>            | <u>Amount</u>    |
|----------------------------------|--------------------------------|------------------|
| Other receivables:               |                                |                  |
| General                          | Enterprise - Preschool Daycare | \$ 15,097        |
| Enterprise -<br>School Nutrition | General                        | <u>199</u>       |
| Total                            |                                | \$ <u>15,296</u> |

Other receivable interfund balances are due to timing differences involved in the reimbursement of payroll at year end to the General Fund and repayment of excess payroll reimbursements to the School Nutrition Fund. The balance between governmental and proprietary funds has been eliminated on the face of the government-wide Statement of Net Assets.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

|   | Balance<br>Beginning<br>of Year | Increases           | Decreases           | Balance<br>End<br>of Year |
|---|---------------------------------|---------------------|---------------------|---------------------------|
| Governmental activities:                    |                                 |                     |                     |                           |
| Capital assets not being depreciated:       |                                 |                     |                     |                           |
| Land  | \$ 63,056                       | \$ -                | \$ -                | \$ 63,056                 |
| Construction in progress                    | 3,182,567                       | 111,622             | 3,182,567           | 111,622                   |
| Total capital assets not being depreciated  | <u>3,245,623</u>                | <u>111,622</u>      | <u>3,182,567</u>    | <u>174,678</u>            |
| Capital assets being depreciated:           |                                 |                     |                     |                           |
| Buildings                                   | 9,253,715                       | 3,604,729           | -                   | 12,858,444                |
| Improvements other than buildings           | 215,291                         | -                   | -                   | 215,291                   |
| Furniture and equipment                     | 2,330,241                       | 166,487             | 99,547              | 2,397,181                 |
| Total capital assets being depreciated      | <u>11,799,247</u>               | <u>3,771,216</u>    | <u>99,547</u>       | <u>15,470,916</u>         |
| Less accumulated depreciation for:          |                                 |                     |                     |                           |
| Buildings                                   | 5,245,390                       | 219,275             | -                   | 5,464,665                 |
| Improvements other than buildings           | 131,357                         | 10,070              | -                   | 141,427                   |
| Furniture and equipment                     | 1,615,015                       | 139,994             | 99,547              | 1,655,462                 |
| Total accumulated depreciation              | <u>6,991,762</u>                | <u>369,339</u>      | <u>99,547</u>       | <u>7,261,554</u>          |
| Total capital assets being depreciated, net | <u>4,807,485</u>                | <u>3,401,877</u>    | <u>-</u>            | <u>8,209,362</u>          |
| Governmental activities capital assets, net | <u>\$ 8,053,108</u>             | <u>\$ 3,513,499</u> | <u>\$ 3,182,567</u> | <u>\$ 8,384,040</u>       |

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Capital Assets (continued)

|  | Balance<br>Beginning<br>of Year | Increases        | Decreases   | Balance<br>End<br>of Year |
|--|---------------------------------|------------------|-------------|---------------------------|
| Business-type activities:                    |                                 |                  |             |                           |
| Furniture and equipment                      | \$ 103,301                      | \$ 18,593        | \$ -        | \$ 121,894                |
| Less accumulated depreciation                | <u>65,400</u>                   | <u>7,390</u>     | <u>-</u>    | <u>72,790</u>             |
| Business-type activities capital assets, net | <u>\$ 37,901</u>                | <u>\$ 11,203</u> | <u>\$ -</u> | <u>\$ 49,104</u>          |

Depreciation expense was charged by the District to the following functions:

Governmental activities:

    Instruction:

        Regular

\$ 13,071

    Support services:

        Instructional staff

1,004

        Administration

3,569

        Operation and maintenance of plant services

6,353

        Transportation

99,609

123,606

Unallocated depreciation

245,733

Total governmental activities depreciation expense

\$ 369,339

Business-type activities:

    Food service operations

\$ 7,390

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

|                           | <u>General<br/>Obligation<br/>Bonds</u> |
|---------------------------|---|
| Balance beginning of year | \$ 3,445,000                            |
| Additions                 | -                                       |
| Reductions                | <u>125,000</u>                          |
| Balance end of year       | \$ <u><u>3,320,000</u></u>              |
| Due within one year       | \$ <u><u>135,000</u></u>                |

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

| Year Ending<br>June 30, | Bond Issue of November 1, 1993 |              |              |              |
|-------------------------|--------------------------------|--------------|--------------|--------------|
|                         | Interest<br>Rates              | Principal    | Interest     | Total        |
| 2007                    | 5.90 %                         | \$ 30,000    | \$ 9,570     | \$ 39,570    |
| 2008                    | 6.00                           | 30,000       | 7,800        | 37,800       |
| 2009                    | 6.00                           | 30,000       | 6,000        | 36,000       |
| 2010                    | 6.00                           | 35,000       | 4,200        | 39,200       |
| 2011                    | 6.00                           | 35,000       | 2,100        | 37,100       |
| Subtotal                |                                | 160,000      | 29,670       | 189,670      |
| Year Ending<br>June 30, | Bond Issue of December 1, 2003 |              |              |              |
|                         | Interest<br>Rates              | Principal    | Interest     | Total        |
| 2007                    | 4.000 %                        | \$ 105,000   | \$ 129,645   | \$ 234,645   |
| 2008                    | 4.375                          | 110,000      | 125,445      | 235,445      |
| 2009                    | 4.500                          | 115,000      | 120,632      | 235,632      |
| 2010                    | 4.500                          | 120,000      | 115,458      | 235,458      |
| 2011                    | 4.500                          | 125,000      | 110,058      | 235,058      |
| 2012                    | 3.375                          | 170,000      | 104,432      | 274,432      |
| 2013                    | 3.500                          | 180,000      | 98,695       | 278,695      |
| 2014                    | 3.700                          | 185,000      | 92,395       | 277,395      |
| 2015                    | 3.800                          | 190,000      | 85,550       | 275,550      |
| 2016                    | 3.900                          | 200,000      | 78,330       | 278,330      |
| 2017                    | 4.000                          | 210,000      | 70,530       | 280,530      |
| 2018                    | 4.100                          | 215,000      | 62,130       | 277,130      |
| 2019                    | 4.150                          | 225,000      | 53,315       | 278,315      |
| 2020                    | 4.250                          | 235,000      | 43,977       | 278,977      |
| 2021                    | 4.300                          | 245,000      | 33,990       | 278,990      |
| 2022                    | 4.400                          | 260,000      | 23,455       | 283,455      |
| 2023                    | 4.450                          | 270,000      | 12,015       | 282,015      |
| Subtotal                |                                | 3,160,000    | 1,360,052    | 4,520,052    |
| Total                   |                                | \$ 3,320,000 | \$ 1,389,722 | \$ 4,709,722 |

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$488,273, \$467,640, and \$444,481 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Benton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$500,773 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into various contracts totaling \$159,875 for building improvements. As of June 30, 2006, costs of \$111,622 had been incurred against the contracts. The balance of \$48,253 remaining at June 30, 2006 will be paid as work on the projects progresses.

## Required Supplementary Information

# BENTON COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual (Accrual Basis) – All Governmental Funds and Proprietary Funds Required Supplementary Information Year Ended June 30, 2006

|  | Governmental<br>Funds -<br>Actual | Proprietary<br>Funds -<br>Actual | Total<br>Actual     | Budgeted Amounts    |                     | Final to<br>Actual<br>Variance |
|--|-----------------------------------|----------------------------------|---------------------|---------------------|---------------------|--------------------------------|
|  |                                   |                                  |                     | Original            | Final               |                                |
| <b>REVENUES:</b>   |                                   |                                  |                     |                     |                     |                                |
| Local sources  | \$ 6,844,954                      | \$ 560,126                       | \$ 7,405,080        | \$ 6,161,437        | \$ 6,161,437        | \$ 1,243,643                   |
| Intermediate sources   | -                                 | -                                | -                   | 300,000             | 300,000             | (300,000)                      |
| State sources  | 7,222,771                         | 8,099                            | 7,230,870           | 7,199,410           | 7,199,410           | 31,460                         |
| Federal sources  | 416,949                           | 177,875                          | 594,824             | 440,000             | 440,000             | 154,824                        |
| Total revenues   | 14,484,674                        | 746,100                          | 15,230,774          | 14,100,847          | 14,100,847          | 1,129,927                      |
| <b>EXPENDITURES:</b>   |                                   |                                  |                     |                     |                     |                                |
| Instruction  | 8,477,351                         | -                                | 8,477,351           | 9,155,100           | 9,155,100           | 677,749                        |
| Support services   | 4,165,083                         | 11,104                           | 4,176,187           | 4,923,000           | 4,923,000           | 746,813                        |
| Non-instructional programs                                   | -                                 | 700,184                          | 700,184             | 707,000             | 850,000             | 149,816                        |
| Other expenditures   | 1,443,866                         | -                                | 1,443,866           | 891,463             | 995,000             | (448,866)                      |
| Total expenditures   | 14,086,300                        | 711,288                          | 14,797,588          | 15,676,563          | 15,923,100          | 1,125,512                      |
| Excess (deficiency) of revenues<br>over (under) expenditures | 398,374                           | 34,812                           | 433,186             | (1,575,716)         | (1,822,253)         | 2,255,439                      |
| Balance beginning of year                                    | 4,360,884                         | 109,620                          | 4,470,504           | 2,845,246           | 2,845,246           | 1,625,258                      |
| Balance end of year  | \$ <u>4,759,258</u>               | \$ <u>144,432</u>                | \$ <u>4,903,690</u> | \$ <u>1,269,530</u> | \$ <u>1,022,993</u> | \$ <u>3,880,697</u>            |

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis. Encumbrances are not recognized on the budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$246,537.

During the year ended June 30, 2006, expenditures in the other expenditures function exceeded the amount budgeted.

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## Other Supplementary Information

## BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2006

|                                   | Special Revenue |            |          | Permanent      |    |         |
|-----------------------------------|-----------------|------------|----------|----------------|----|---------|
|                                   | Management      | Student    | Debt     | Marjorie Smith |    | Total   |
|                                   | Levy            | Activity   | Service  | Trust          |    |         |
| Assets                            |                 |            |          |                |    |         |
| Cash and pooled investments       | \$ 11,717       | \$ 212,781 | \$ 2,358 | \$ 15,216      | \$ | 242,072 |
| Receivables:                      |                 |            |          |                |    |         |
| Property tax:                     |                 |            |          |                |    |         |
| Current year                      | 3,853           | -          | -        | -              |    | 3,853   |
| Succeeding year                   | 200,807         | -          | -        | -              |    | 200,807 |
| Total assets                      | \$ 216,377      | \$ 212,781 | \$ 2,358 | \$ 15,216      | \$ | 446,732 |
| Liabilities and Fund Equity       |                 |            |          |                |    |         |
| Liabilities:                      |                 |            |          |                |    |         |
| Accounts payable                  | \$ 11,793       | \$ 4,985   | \$ -     | \$ -           | \$ | 16,778  |
| Deferred revenue:                 |                 |            |          |                |    |         |
| Succeeding year property tax      | 200,807         | -          | -        | -              |    | 200,807 |
| Total liabilities                 | 212,600         | 4,985      | -        | -              |    | 217,585 |
| Fund equity:                      |                 |            |          |                |    |         |
| Fund balances:                    |                 |            |          |                |    |         |
| Reserved for:                     |                 |            |          |                |    |         |
| Debt service                      | -               | -          | 2,358    | -              |    | 2,358   |
| Baseball program                  | -               | -          | -        | 15,216         |    | 15,216  |
| Unreserved:                       |                 |            |          |                |    |         |
| Undesignated                      | 3,777           | 207,796    | -        | -              |    | 211,573 |
| Total fund equity                 | 3,777           | 207,796    | 2,358    | 15,216         |    | 229,147 |
| Total liabilities and fund equity | \$ 216,377      | \$ 212,781 | \$ 2,358 | \$ 15,216      | \$ | 446,732 |

See accompanying independent auditor's report.

## BENTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2006

|  | Special Revenue    |                     | Debt<br>Service | Permanent               | Total             |
|--|--------------------|---------------------|-----------------|-------------------------|-------------------|
|  | Management<br>Levy | Student<br>Activity |                 | Marjorie Smith<br>Trust |                   |
| Revenues:  |                    |                     |                 |                         |                   |
| Local sources:   |                    |                     |                 |                         |                   |
| Local tax  | \$ 220,499         | \$ -                | \$ -            | \$ -                    | 220,499           |
| Other  | 10,296             | 505,128             | 1,060           | 351                     | 516,835           |
| State sources  | 189                | -                   | -               | -                       | 189               |
| Total revenues   | <u>230,984</u>     | <u>505,128</u>      | <u>1,060</u>    | <u>351</u>              | <u>737,523</u>    |
| Expenditures:  |                    |                     |                 |                         |                   |
| Current:   |                    |                     |                 |                         |                   |
| Instruction:   |                    |                     |                 |                         |                   |
| Other instruction  | -                  | 456,275             | -               | -                       | 456,275           |
| Support services:  |                    |                     |                 |                         |                   |
| Administration services                                      | 28,169             | -                   | -               | -                       | 28,169            |
| Operation and maintenance<br>of plant services               | 194,883            | -                   | -               | -                       | 194,883           |
| Other expenditures:  |                    |                     |                 |                         |                   |
| Long term debt:  |                    |                     |                 |                         |                   |
| Principal  | -                  | -                   | 125,000         | -                       | 125,000           |
| Interest and fiscal charges                                  | -                  | -                   | 145,453         | -                       | 145,453           |
| Total expenditures   | <u>223,052</u>     | <u>456,275</u>      | <u>270,453</u>  | <u>-</u>                | <u>949,780</u>    |
| Excess (deficiency) of revenues<br>over (under) expenditures | 7,932              | 48,853              | (269,393)       | 351                     | (212,257)         |
| Other financing sources:                                     |                    |                     |                 |                         |                   |
| Interfund transfers in                                       | -                  | -                   | 269,653         | -                       | 269,653           |
| Net change in fund balances                                  | 7,932              | 48,853              | 260             | 351                     | 57,396            |
| Fund balances beginning of year                              | <u>(4,155)</u>     | <u>158,943</u>      | <u>2,098</u>    | <u>14,865</u>           | <u>171,751</u>    |
| Fund balances end of year                                    | <u>\$ 3,777</u>    | <u>\$ 207,796</u>   | <u>\$ 2,358</u> | <u>\$ 15,216</u>        | <u>\$ 229,147</u> |

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

| Account                 | Balance<br>Beginning<br>of Year | Revenues | Expenditures | Balance<br>End<br>of Year |
|-------------------------|---------------------------------|----------|--------------|---------------------------|
| High School:            |                                 |          |              |                           |
| Cocurricular            | \$ 368                          | \$ 2,427 | \$ 1,721     | \$ 1,074                  |
| Drama                   | 3,940                           | 14,497   | 11,932       | 6,505                     |
| Vocal                   | 7,597                           | 88,657   | 68,242       | 28,012                    |
| Instrumental            | 3,739                           | 26,935   | 18,227       | 12,447                    |
| Industrial Tech. Resale | 859                             | 180      | 517          | 522                       |
| Student Council         | (127)                           | 1,783    | 597          | 1,059                     |
| Media Club              | 1,505                           | 355      | 60           | 1,800                     |
| Concessions             | 255                             | -        | -            | 255                       |
| Yearbook                | 16,268                          | 11,582   | 19,551       | 8,299                     |
| Art Club                | 39                              | 3,629    | 3,550        | 118                       |
| Pom Pom                 | 4                               | 1,548    | 1,153        | 399                       |
| SADD                    | 26                              | 355      | 336          | 45                        |
| FFA                     | 6,490                           | 58,535   | 50,846       | 14,179                    |
| Spanish Club            | 17,887                          | 19,554   | 26,955       | 10,486                    |
| National Honor Society  | 2,373                           | 3,026    | 3,315        | 2,084                     |
| FCCLA                   | 1,744                           | 5,501    | 6,275        | 970                       |
| Wrestlerettes           | 45                              | -        | -            | 45                        |
| Cheerleaders            | 21                              | 2,921    | 2,338        | 604                       |
| Thespians               | 463                             | 1,265    | 926          | 802                       |
| Class of 2005           | 1,255                           | -        | 1,255        | -                         |
| Class of 2006           | 1,595                           | 4,117    | 5,573        | 139                       |
| Class of 2007           | 2,592                           | 1,390    | 3,229        | 753                       |
| Class of 2008           | 1,350                           | 1,407    | -            | 2,757                     |
| Class of 2009           | -                               | 1,119    | -            | 1,119                     |
| HOSA                    | 468                             | 7,123    | 4,095        | 3,496                     |
| B/G Cocurricular        | 9,348                           | 24,357   | 7,017        | 26,688                    |
| General Athletics       | 29,653                          | 163,162  | 153,898      | 38,917                    |
|                         | 109,757                         | 445,425  | 391,608      | 163,574                   |
| Middle School:          |                                 |          |              |                           |
| Student Council         | 2,532                           | 631      | 385          | 2,778                     |

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

| Account         | Balance<br>Beginning<br>of Year | Revenues          | Expenditures      | Balance<br>End<br>of Year |
|-----------------|---------------------------------|-------------------|-------------------|---------------------------|
| Atkins:         |                                 |                   |                   |                           |
| Cocurricular    | \$ 234                          | \$ 49             | \$ -              | \$ 283                    |
| Student Council | 7,773                           | 15,517            | 13,724            | 9,566                     |
| Media Club      | 1,422                           | 4,623             | 3,799             | 2,246                     |
|                 | <u>9,429</u>                    | <u>20,189</u>     | <u>17,523</u>     | <u>12,095</u>             |
| Norway:         |                                 |                   |                   |                           |
| Cocurricular    | 658                             | 143               | -                 | 801                       |
| Student Council | 14,997                          | 16,135            | 22,699            | 8,433                     |
| Media Club      | 5,973                           | 6,765             | 6,692             | 6,046                     |
| Yearbook        | 690                             | 1,321             | 1,786             | 225                       |
|                 | <u>22,318</u>                   | <u>24,364</u>     | <u>31,177</u>     | <u>15,505</u>             |
| Keystone:       |                                 |                   |                   |                           |
| Cocurricular    | 3,387                           | 198               | 27                | 3,558                     |
| VHE Fundraiser  | 2,000                           | -                 | -                 | 2,000                     |
| Student Council | 6,095                           | 14,321            | 15,555            | 4,861                     |
| Media Club      | 2,747                           | -                 | -                 | 2,747                     |
| Art Club        | 678                             | -                 | -                 | 678                       |
|                 | <u>14,907</u>                   | <u>14,519</u>     | <u>15,582</u>     | <u>13,844</u>             |
| Total           | <u>\$ 158,943</u>               | <u>\$ 505,128</u> | <u>\$ 456,275</u> | <u>\$ 207,796</u>         |

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2006

|                | Balance<br>Beginning<br>of Year | Additions | Deductions | Balance<br>End<br>of Year |
|----------------|---------------------------------|-----------|------------|---------------------------|
| Assets         |                                 |           |            |                           |
| Cash           | \$ 4,215                        | \$ 29,180 | \$ 25,569  | \$ 7,826                  |
| Liabilities    |                                 |           |            |                           |
| Other payables | \$ 4,215                        | \$ 29,180 | \$ 25,569  | \$ 7,826                  |

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

|   | Modified Accrual Basis<br>Years Ended June 30, |                      |                      |                      |
|---|--|----------------------|----------------------|----------------------|
|   | 2006   | 2005                 | 2004                 | 2003                 |
| Revenues:                                   |  |                      |                      |                      |
| Local sources:                              |  |                      |                      |                      |
| Local tax                                   | \$ 5,749,200                                   | \$ 5,666,309         | \$ 4,937,285         | \$ 4,858,251         |
| Tuition                                     | 435,003  | 394,057              | 337,499              | 266,588              |
| Other                                       | 660,751  | 554,516              | 616,603              | 619,301              |
| Intermediate sources                        | -  | 31,116               | 22,981               | 41,223               |
| State sources                               | 7,222,771                                      | 6,660,965            | 6,412,109            | 6,733,964            |
| Federal sources                             | 416,949  | 275,729              | 300,544              | 313,179              |
| Total revenues                              | <u>\$ 14,484,674</u>                           | <u>\$ 13,582,692</u> | <u>\$ 12,627,021</u> | <u>\$ 12,832,506</u> |
| Expenditures:                               |  |                      |                      |                      |
| Instruction:                                |  |                      |                      |                      |
| Regular instruction                         | \$ 5,575,087                                   | \$ 5,241,134         | \$ 4,948,094         | \$ 4,977,461         |
| Special instruction                         | 1,671,968                                      | 1,677,461            | 1,837,296            | 1,734,672            |
| Other instruction                           | 1,230,296                                      | 1,273,248            | 1,138,182            | 1,119,163            |
| Support services:                           |  |                      |                      |                      |
| Student services                            | 282,904  | 236,472              | 290,174              | 164,767              |
| Instructional staff services                | 415,950  | 361,657              | 309,381              | 233,175              |
| Administration services                     | 1,264,891                                      | 1,106,402            | 1,237,100            | 1,014,909            |
| Operation and maintenance of plant services | 1,416,325                                      | 1,335,313            | 1,206,486            | 1,331,018            |
| Transportation services                     | 785,013  | 756,403              | 745,719              | 675,080              |
| Other expenditures:                         |  |                      |                      |                      |
| Facilities acquisition                      | 672,640  | 1,454,627            | 2,035,075            | 34,071               |
| Long-term debt:                             |  |                      |                      |                      |
| Principal                                   | 125,000  | 45,000               | 25,000               | 25,000               |
| Interest and fiscal charges                 | 145,453  | 203,246              | 14,106               | 15,508               |
| AEA flowthrough                             | 500,773  | 477,287              | 483,909              | 520,680              |
| Total expenditures                          | <u>\$ 14,086,300</u>                           | <u>\$ 14,168,250</u> | <u>\$ 14,270,522</u> | <u>\$ 11,845,504</u> |

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Benton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 28, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Benton Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Benton Community School District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Benton Community School District and other parties to whom Benton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Benton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
September 28, 2006

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-06 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as receiving, recording and processing cash receipts and performing bank reconciliations, which can be performed by the same person, and preparing, recording, and mailing checks, which can be performed by the same person. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken some steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that a lack of segregation of duties in the above mentioned areas still exists.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that the Business Manager continue to review and be involved in the day to day transactions.

Response – We will review the recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget – Expenditures for the year ended June 30, 2006, exceeded the amount budgeted in the other expenditures function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget.

Conclusion – Response accepted.

II-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions – We noted no business transactions between the District and District officials or employees.

II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting (continued):

- II-J-06      Agency Fund – We noted transactions being recorded through the Fiduciary, Agency Fund, such as fundraisers for trips and donations for school improvements, that would more appropriately be accounted for in the Special Revenue, Student Activity Fund or General Fund.

Recommendation – The Agency Fund is only to be used to account for money received by the District as an agent for individuals, private organizations and other governments. Fundraisers which earn a profit for student activities should be accounted for in the Student Activity Fund. Donations for school improvements should be accounted for in the General Fund.

Response – We will record future similar transactions in the Student Activity Fund or General Fund, as appropriate.

Conclusion – Response accepted.

- II-K-06      Physical Plant and Equipment Levy – The proceeds of taxes levied under Chapter 298.3 of the Code of Iowa were used to pay for units of equipment that were each less than \$500. The total unallowable expenditure was \$2,074 in fiscal year 2005. This amount still has not been reimbursed.

Recommendation – Equipment may be purchased from the Physical Plant and Equipment Levy (PPEL) Fund only if the value of the single unit of equipment exceeds \$500. The General Fund should reimburse \$2,074 to the PPEL Fund for the equipment.

Response – We will ensure that all future PPEL Fund expenditures are in compliance with the Code of Iowa. We will also make the required reimbursement to the PPEL Fund from the General Fund.

Conclusion – Response accepted.

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